



ORGANIZATION FOR THE PROTECTION
AND ADVANCEMENT OF SMALL
TELEPHONE COMPANIES

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January 14, 1994

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JAN 14 1994

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Mr. William F. Caton
Secretary
Federal Communications Commission
Room 222
1919 M Street, NW
Washington, DC 20554

Re: American Telephone and Telegraph
Company ("AT&T")

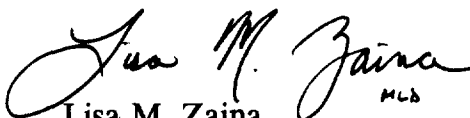
Request to Establish a Permanent
Replacement for the Current Method
of Funding the Universal Fund ("USF")
and Adopt a Temporary Revenue Based
Method for Allocating USF Costs
Among Interexchange Carriers ("IXCs")
RM-8408

Dear Mr. Caton:

Please find enclosed for filing the original and eleven copies of the Organization for the Protection and Advancement of Small Telephone Companies' comments in the above-captioned proceeding.

Thank you for your assistance in this matter.

Sincerely,


Lisa M. Zaina
General Counsel

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List A B C D E

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

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In the Matter of)

American Telephone and Telegraph)
("AT&T"))

RM-8408

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of Funding the Universal Service)
Fund ("USF") and Adopt a Temporary)
Revenue Based Method for Allocating)
USF Costs Among Interexchange)
Carriers ("IXCs"))

COMMENTS OF
THE ORGANIZATION FOR THE PROTECTION AND
ADVANCEMENT OF SMALL TELEPHONE COMPANIES

OPASTCO
21 Dupont Circle, NW
Suite 700
Washington, DC 20036
(202) 659-5990

January 14, 1994

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

In the Matter of)

American Telephone and Telegraph)
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Carriers ("IXCs"))

RM-8408

**COMMENTS OF
THE ORGANIZATION FOR THE PROTECTION AND
ADVANCEMENT OF SMALL TELEPHONE COMPANIES**

I. INTRODUCTION

On November 24, 1993, the American Telephone and Telegraph Company (AT&T) filed a Petition for Rulemaking with the Federal Communications Commission (FCC or Commission).¹ In this Petition, AT&T requests that the FCC change the method of allocating the costs of the Universal Service Fund (USF) among interexchange carriers (IXCs). Currently the allocation is based

¹ In the Matter of MTS and WATS Market Structure, CC Docket No. 78-72, and Amendment of Part 36 of the Commission's Rules and Establishment of a Joint Board, CC Docket No. 80-286, Petition of American Telephone and Telegraph Company for Rulemaking, November 24, 1993. (Petition)

on the number of lines presubscribed to the respective IXC's. AT&T contends that the per-line allocation discriminates against AT&T and artificially discourages some IXC's from serving low-volume users.² Consequently, AT&T requests that the Commission change this current method of allocation to one that is based on the revenues of the IXC's that contribute to the USF. On December 15, 1993, the Commission placed the Petition on Public Notice (Report No. 1990) and the Organization for the Protection and Advancement of Small Telephone Companies (OPASTCO) hereby submits comments in response.

OPASTCO is a national trade association of more than 430 independently owned and operated telephone companies serving rural areas of the United States and Canada. Its members, which include both commercial companies and cooperatives, together serve over two million customers. Many of OPASTCO's members receive USF assistance, and any proceeding that affects the manner in which USF is allocated and distributed is of critical importance to them. Thus, AT&T's request is an issue in which they have great interest.

II. COMMENTS

AT&T's request is two-fold. First, it asks the FCC to address the allocation methodology issue in its upcoming comprehensive review of the USF. Second, it asks that the FCC adopt a temporary, revenue-based method for allocating USF costs

²Id. at ii.

among IXCs at the same time in which it imposes its temporary indexed cap on the USF, as recommended by the Federal-State Joint Board in accordance with the Commission's September 14, 1993 Notice of Proposed Rulemaking.³

OPASTCO agrees that it is appropriate to address the issue of USF allocation among IXCs in the comprehensive USF proceeding that the FCC is undertaking. In its Interim Notice the Commission announced that it had the intention of initiating a rulemaking on a broad range of issues related to the USF. Such a study would certainly encompass the method of allocation that is most appropriate in the current competitive environment. It is important that, after the FCC's review, the USF be viewed as fair to those companies that support it and those companies who are supported by it. Therefore, the allocation methodology should be included in that review.

OPASTCO further believes that an apportionment based on IXCs' total interstate revenue may be an appropriate method of allocation. AT&T maintains that the presubscribed lines methodology that is currently employed provides a disincentive to serve low-volume customers. Furthermore, AT&T contends that use of a revenue-based allocation will eliminate the disincentive to serve these low-volume customers because a customer will cause an

³Amendment of Part 36 of the Commission's Rules and Establishment of a Joint Board, CC Docket No. 80-286, Notice of Proposed Rulemaking, FCC No. 93-435, (released September 14, 1993) (Interim Notice). On December 10, 1993, the Federal State Joint Board issued a Recommended Decision in which it recommended that the FCC adopt the indexed cap approach.

IXC to incur additional USF expense only to the extent that the customer generates additional long-distance revenues.⁴ If AT&T is correct, a revenue-based allocation method would remove one barrier that discourages some IXCs from serving low-volume customers. OPASTCO is in favor of the removal of such barriers.

An allocation based on total interstate revenue would also create a universal service support mechanism that could be expanded to other market participants in the future. Such expansion would decrease the burden of universal service support on individual IXCs, yet strengthen the USF itself by increasing the scope of its support. A strong USF will become even more important as competition increases in local exchange markets.

Finally, OPASTCO's concurrence with AT&T's assertions regarding the allocation methodology should not be interpreted to extend to the charges that the USF's overall rate of growth has been rapid and "unchecked."⁵ Of course, in light of the recent capping of the fund, any charges of "unchecked growth" are now completely moot.

⁴Petition at 14.

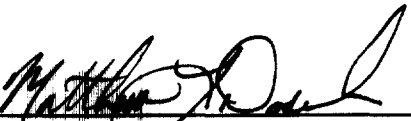
⁵Id. at 2.

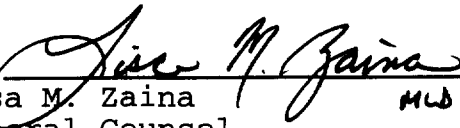
III. CONCLUSION

OPASTCO supports addressing the allocation of the USF in the upcoming comprehensive USF review. OPASTCO also supports a change in the allocation method from IXCs' presubscribed lines to total interstate revenue. OPASTCO's assent assumes the validity of AT&T's argument that such a change will remove a barrier to other IXCs serving low-volume rural consumers, thus providing those consumers with greater choice.

Respectfully submitted,

**THE ORGANIZATION FOR THE
PROTECTION AND ADVANCEMENT
OF SMALL TELEPHONE COMPANIES**

By: 
Matthew L. Desch
Manager - Regulatory &
Legislative Affairs

By: 
Lisa M. Zaina
General Counsel

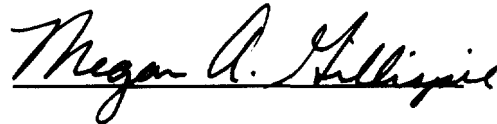
MLB

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(202) 659-5990

January 14, 1993

CERTIFICATE OF SERVICE

I, Megan A. Gillispie, hereby certify that a copy of OPASTCO's comments was sent on this, the 14th day of January, 1994, by first class United States mail, postage prepaid, to those listed below.

A handwritten signature in cursive script, reading "Megan A. Gillispie", written over a horizontal line.

Megan A. Gillispie

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